



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Kelly Subcommittee Examines SEC's Role in Capital Formation

The House Financial Services Oversight and Investigations Subcommittee, chaired by Rep. Sue Kelly (NY), will hold a hearing to examine the role of the Securities and Exchange Commission in capital formation. The Subcommittee will meet at 9:30 a.m. Tuesday, June 26 in room 2128 Rayburn House Office Building.

"The securities markets are the critical force behind our nation's economy. It has been one of my long-standing goals in Congress to eliminate obstacles to capital formation in those markets, especially for small businesses," said Kelly. "I am greatly distressed by concerns that fundamental regulatory obstacles are inhibiting the flow of capital to, and investor participation in, the small and middle-market business sector.

"Our hearing tomorrow will be the Subcommittee's first step in determining how we in Congress, and the Commission can effectively eliminate those obstacles - for all participants in our nation's capital markets."

Capital formation is the engine that drives the economy by enabling companies to grow, create jobs, and innovate. The Committee plans to examine how current SEC regulations can either help or hinder this fundamental process.

In 1996, Congress passed the National Securities Markets Improvement Act (NSMIA) which added provisions to the Federal securities laws explicitly requiring the Commission to consider capital formation, competition and efficiency - in conjunction with investor protection - in its rulemaking. NSMIA, in order to reduce regulatory burdens and facilitate access to capital, also gave the Commission general exemptive authority under the 1933 and 1934 Acts.

At the hearing, witnesses will provide their views on the SEC's effectiveness in complying with the provisions of NSMIA.

The ability to efficiently raise capital is especially critical to small businesses - which currently account for 99.7 percent of the nation's employers and provide 75 percent of all new jobs in the United States. Small business advocates have observed that the cost of capital is significantly higher for small business.

Chairman of the Financial Services Committee Michael G. Oxley said, "Today's bearish market underscores how important it is that Congress and regulators do everything in their power to promote capital formation. The SEC has a critical mission to protect investors, but also to minimize obstacles to capital formation for small businesses and large businesses alike."

This hearing will provide a forum in which the Subcommittee can examine whether the SEC is adequately complying with its mandate to promote competition, efficiency, and capital formation in its rulemaking. This is the first of several initiatives in the Subcommittee to consider how the Congress, or the Commission, might amend the existing regulatory structure to facilitate capital formation for small businesses and all market participants.

Scheduled to testify are:

- Joan M. Sweeney, Managing Director and Chief Operating Officer, Allied Capital
- Gregory Halpern, Chairman and CEO, Circle Group Internet Inc.
- Donald J. Devine, Vice Chairman, American Conservative
- James A. Steinkirchner, Vice President, McGinn, Smith & Company

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